

Kentucky Agricultural Finance Corporation

Minutes of the February 3, 2012 Meeting

The meeting of the Kentucky Agricultural Finance Corporation Board of Directors was held Friday, February 3, 2012 at the Transportation Cabinet Office Building, 200 Mero Street, Frankfort, KY. Commissioner James Comer called the meeting to order at 10:00 a.m. EST.

Notification of Press

Commissioner Comer received verification that the media had been notified regarding the Kentucky Agricultural Finance Corporation (KAFC) monthly meeting.

Roll Call

Members Present

Commissioner Comer, Westy Adams, George Begley, Kenneth Burdine, Wayne Hunt, Larry Jagers, Frank McAninch, Tom Midkiff (designee for Secretary Flanery), Joel Oney, Peggy Peterson

Members Absent – Doug Lawson, Frank Penn

Others Present

Staff – Roger Thomas, Angela Blank, Diane Fleming, Sandra Gardner, Cyndi Hall, Bill Hearn, Angie Justice, Bill McCloskey, Joel Neaveill, Bryan Thomas

Guests – Vince Gill, Kentucky Department of Agriculture (KDA); Biff Baker, Legislative Research Commission (LRC); John Bailey, Office of Financial Management

Welcome/Introduction of Guests

Commissioner Comer welcomed the Board and guests to the KAFC Board meeting.

Review and Approval of Minutes

Frank McAninch moved to approve the minutes of the December 2, 2011 KAFC Board of Directors meeting; Larry Jagers seconded the motion. Westy Adams moved to remove Westy Adams and Frank McAninch from the “members present” roll call to “members absent;” Wayne Hunt seconded the amendment. *The amendment passed without dissent. The motion as amended passed without dissent.*

Reports

Executive Director’s Report

Commissioner Comer called on Roger Thomas to give the Executive Director’s Report.

Mr. Thomas welcomed Commissioner Comer to the KAFC Board Meeting.

Mr. Thomas welcomed Bryan Thomas, who has returned to the Governor’s Office of Agricultural Policy (GOAP) to work in Compliance.

Mr. Thomas reported that David Curtis, husband to Kentucky Agricultural Development Board Member Karen Curtis, passed away on January 31, 2012.

Mr. Thomas briefly updated the Board on redistricting issues that the 2012 General Assembly is addressing.

Mr. Thomas reported that Governor Beshear's proposed budget for fiscal years 2013 - 2014 addresses two key issues: the increasing debt service to the state portion of the Kentucky Agricultural Development Fund and the decreasing projected revenue from the Master Tobacco Settlement Agreement Fund.

No action was taken on executive director's report.

The Director of Financial Services Report

Commissioner Comer called on Bill McCloskey to give the Director of Financial Services Report. Mr. McCloskey reviewed the financial position report (below) of KAFC.

KAFC Statement of Financial Position	
ASSETS (as of 12/31/2011):	
Interest Earned from Loans	\$ 2,608,850
Interest Earned from State Investment Commission	1,077,304
Interest Fund (2802 Acct.)	3,668,154
Principal/Loan Fund (2803 Acct.)	3,388,494
Loan Funds Disbursed	28,743,694
KADB Approved Loans not Transferred	0
Funds Held by State & not transferred to KAFC	2,000,000
Total Assets	\$37,818,341

At the time of this report there were 320 active loans.

Mr. Adams moved to approve the financial report; Kenny Burdine seconded the motion. *The motion passed without dissent.*

Mr. McCloskey made note of the letter from Purnell Sausage Company in response to receiving KAFC loan approval as well as the updated meeting schedule and board member information.

Mr. McCloskey gave a brief overview of the application and guidelines for the 2012 KADF On-Farm Energy Efficiency & Production program.

Mr. McCloskey proposed a change in the Agricultural Infrastructure Loan Program to help limited resource farmers take advantage of the lower interest rate offered by the KAFC loan program. The Guideline Review Committee will meet before the 3/2/2012 board meeting to discuss.

Mr. McCloskey reported the possibility that GOAP will receive approximately \$250,000 from the federal ARRA Energy program for a revolving on-farm energy program.

Mr. McCloskey reported that an application to the KADB from the City of Louisville includes a \$250,000 pool of money to provide a 50/50 match on loans from the Metropolitan Business Development Corporation (METCO) for businesses located in the Portland neighborhood, part of Louisville's LIFE Zone, that are engaged in value-added processing or distribution of Kentucky-raised foods. The Guideline Committee will review the guidelines prior to the next KAFC board meeting. If approved by the KADB and KAFC the funds will be transferred to KAFC and administered by staff approvals.

The 2012 KADF On-farm Energy Efficiency & Production Program was approved at December 2011 KADB meeting. There will be \$2M in state KADF's.

New Business

The following applications were received between November 17, 2011 and January 13, 2012.

Agricultural Infrastructure Loan Program - Discussion and Action

AF12- 0001 Rose, Joyce – Pending

Beginning Farmer Loan Program - Discussion and Action

AF12-0002 Poole, Wesley and Jennifer - Applicants requested \$56,000 for the purchase of a 22.1 acre farm in Daviess County. Independence Bank in Owensboro is the participating lender. Staff recommended loan approval. **Dr. Burdine moved to approve AF12-0002, based on staff's recommendation, pending fund availability;** Joel Oney seconded the motion. *The motion passed without dissent.*

AF12-0003 Hicks III, J.C. and Amber - Applicants requested \$50,000 for the purchase of a 58.8 acre farm in Henderson County. Independence Bank in Henderson is the participating lender. Staff recommended loan approval. **Mr. Hunt moved to approve AF12-0003, based on staff's recommendation, pending fund availability;** Mr. Oney seconded the motion. *The motion passed without dissent.*

Old Business

Agricultural Processing Loan Program -- Discussion and Action

AF11-0042 Mattingly, Kenneth and Beverly - Applicants requested \$150,000 for the construction of a building to process cheese in Barren County. Farm Credit Services in Glasgow is the participating lender. Staff recommended loan approval. **Mr. Jagers moved to approve AF11-0042, based on staff's recommendation, pending fund availability;** Mr. McAninch seconded the motion. *The motion passed without dissent.* Mr. Oney abstained from voting.

Extensions—Discussion and Action

AF10-0026 Kelsay, James and Sherry- Applicants requested a third extension on the expiration date of this loan. They were approved for \$50,000 for improvements on six (6) poultry houses, and upgrades and repairs on a barn at the June 21, 2010 board meeting. The construction is complete; however the barn repairs are not. The extension is for the purposes of completing the barn repairs. Staff recommended the KAFC loan approval be extended to April 14, 2012. **Dr. Burdine moved to extend the expiration date of AF10-0026, based on staff's**

recommendation; Tom Midkiff seconded the motion. *The motion passed without dissent.*

AF10-0028 Ragsdale, Jacob and Ashley - Applicants requested an extension on the expiration date of this loan. They were approved for \$37,500 for the purchase of 7.23 acres including a 10,000 square foot greenhouse and two hooped greenhouses at the February 11, 2011 board meeting. The extension is for the purposes of obtaining life insurance, which was a condition of disbursement of funds. Staff recommended the KAFC loan approval be extended to April 11, 2012. **Peggy Peterson moved to extend the expiration date of AF10-0028, based on staff's recommendation;** Mr. Adams seconded the motion. *The motion passed without dissent.*

AF10-0031 Crist, William and Julie (Crist Dairy) – Applicants requested a second extension on the expiration date of this loan. They were approved for \$100,000 for the construction of two (2) 138' x 200' Bedded Pac Barns and other improvements on a newly purchased dairy farm at the October 1, 2010 board meeting. The construction is complete. The extension is for the purposes of closing the loan. Staff recommended the KAFC loan approval be extended to April 14, 2012. **Mr. Adams moved to extend the expiration date of AF10-0031, based on staff's recommendation;** Mr. Jagers seconded the motion. *The motion passed without dissent.* Mr. Oney abstained from voting.

AF10-0045 Grant, Dennis and Sarona – Applicants requested additional funding and an extension on the expiration date. They were approved for \$85,500 for the construction of a grain bin, new leg and grain pit at the February 22, 2011 board meeting. As a result of additional expansion of the grain bin complex, the Grants have incurred \$231,656 in expenses. They requested an additional \$15,000, which would bring their total loan to \$100,000. They also request a 30 day extension to March 11, 2012. This will allow them sufficient time to close the loan with the new parameters. Staff recommended the KAFC loan approval be increased to \$100,000 and that the loan be extended to March 11, 2012. **Mr. Hunt moved to approve the additional funds and extend the expiration date of AF10-0045, based on staff's recommendation;** Ms. Peterson seconded the motion. *The motion passed without dissent.*

AF11-0003 Reed, Nathan and Lauren – Applicants requested an extension on the expiration date of this loan. They were approved for \$250,000 for the construction of 6 broiler houses at the February 11, 2011 board meeting. The loan officer is waiting for the incentive check from Pilgrims Pride per our letter of commitment. Staff recommends the KAFC loan approval be extended to March 11, 2012. **Mr. Adams moved to extend the expiration date of AF11-0003, based on staff's recommendation;** Joel Oney seconded the motion. *The motion passed without dissent.*

Withdrawals—No Action Necessary

AF10-0042 Eads, Robert G.

AF11-0044 Ebelhar, Charles "Scott" and Jennifer

Paid in Full—No Action Necessary

AF06-0021 Jarvis, Gary

AF06-0075 Jepson, Ben

AF06-0088 Wade, Bruce

AF07-0047 Bivens, Ryan D.

AF07-0055 Jepson, Joshua

AF09-0040 Wade, Bruce

Closing Remarks

Commissioner Farmer introduced his assistant, Vince Gill, of Carlisle County.

The next meeting of the KAFC Board is scheduled for March 2, 2012 at the Transportation Cabinet Office Building, 200 Mero, Frankfort, KY. The regular business meeting of KAFC will begin at 10:00 a.m. EDT.

Mr. Adams moved to adjourn. The meeting adjourned at 10:53 a.m. EDT.

APPROVED:

12-2-2011

PRESIDING OFFICER:


Commissioner Comer

SECRETARY:


Cyndi Hall